



*Andrew Junkin  
CFA, CIMA, CAIA  
Managing Director*

March 23, 2009

Mr. Joseph Dear  
Chief Investment Officer  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Revision to Statement of Investment Policy for Real Estate

Dear Joe:

You requested Wilshire's opinion with respect to the proposed revisions to the Statement of Investment Policy for Real Estate. This version presents the third iteration of the revision and incorporates comments from the Investment Committee, the Board's consultants, and Pillsbury Winthrop Shaw Pittman, LLP. Pillsbury provided comments subsequent to the second reading of this policy, which occurred at the December Investment Policy Subcommittee meeting.

### **Recommendation**

Wilshire recommends that the Policy Subcommittee adopt the revised Statement of Investment Policy for Real Estate. Wilshire believes that the proposed policy is comprehensive, contains appropriate controls and reporting measures, and allows Staff sufficient flexibility to successfully manage the real estate portfolio.

### **Background**

Staff has brought two prior versions of the proposed changes before the Policy Subcommittee. In each case, the Subcommittee has provided feedback to Staff which has been incorporated into this version. Specifically, leverage limits, coverage ratios, and reporting requirements have all been specifically detailed. In addition, the policy now clearly states that the CalPERS Real Estate Consultant works directly for the Board.

This latest iteration also includes comments from Pillsbury which help clarify certain attributes of debt (recourse, nonrecourse, credit accommodation, etc.), and add additional explanatory language with regards to hazardous waste and the types of investment structures that are approved for use in the real estate portfolio.

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Again, we note that Attachment A – For Sale Residential and Land Development Program and Attachment B – California Urban Real Estate have not been modified. Both attachments are slated to be revised during 2010.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read "Ann Jinn". The signature is fluid and cursive, with the first name "Ann" and last name "Jinn" clearly distinguishable.